

Press Release

ZEAL AQUA LIMITED (ZAL)

28 October, 2017



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 91.00 Cr. (Enhanced from Rs.45.00 Cr.)
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating to '**SMERA BB+** (read as **SMERA BB plus**) from '**SMERA BB**' (read as **SMERA double B**) on the Rs. 54.00 crore bank facilities (Enhanced from Rs.45.00 Cr.). Further SMERA has assigned long term rating of '**SMERA BB+** (read as **SMERA BB plus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 37.00 crore bank facilities of ZEAL AQUA LIMITED. The outlook is '**Stable**'.

Zeal Aqua Limited (ZAL), incorporated in 2009, is a Surat-based company promoted by Mr. Pradip R Navik, Mr. Shantilal Patel and Mr. Rohan Navik. The company is engaged in the cultivation of shrimp (Black Tiger and Vannamei).

Key Rating Drivers

Strengths

- **Experienced management**

ZAL was incorporated in 2009 by Directors, Mr. Pradip R Navik, Mr. Shantilal Patel and Mr. Rohan Navik who possess extensive experience in the aquaculture industry.

- **Healthy financial riskprofile**

The company has healthy financial risk profile marked by networth of Rs. 48.04 crore as on 31 March, 2017 compared to Rs 27.20 crore as on 31 March, 2016. The debt equity ratio stood at 0.79 times as on 31 March, 2017 as against 1.17 times as on 31 March, 2016. The Interest coverage indicators stood at 2.16 times for FY2017 and 2.02 times for FY2016. Further, in the near to medium term the gearing is expected to be in the range of 1 to 1.30 times.

- **Healthy business riskprofile**

ZAL has healthy business risk profile marked by long standing experience of the promoters in the aquaculture industry. Further, the revenue grew at a CAGR of ~25 percent in FY2017 over FY2013. The company has healthy RoCE of 10.03 percent in FY2017 compared to 11.19 percent in FY2016. The operating margins also stood healthy at 5.30 per cent in FY2017. The company has two facilities - Unit I and Unit II. Unit I is engaged in cultivation and trading of shrimps while Unit II is engaged in the processing and packaging of shrimps. Operations of Unit II commenced from 1 July 2017 with capacity of 5000 tonnes per annum. The utilisation is expected to be 2500 tonnes in the firstyear.

Weaknesses

- **Intense competition**

The company faces intense competition from domestic and international players in the highly fragmented seafood industry.

- **Risk of changes in climatic conditions**

The company is exposed to the risks inherent in the seafood industry such as susceptibility to diseases, climatic changes and changes in government policies.

Analytical Approach

SMERA has considered the standalone financial and business risk profile of the company to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on ZAPL will remain 'Stable' over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of further improvement in the scale of operations, while maintaining profitability and efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial profile.

About the Rated Entity - Key Financials

In FY2016-17, the company reported profit after tax (PAT) of Rs.1.78 crore on operating income of Rs.174.59 crore as against net profit of Rs.1.91 crore on operating income of Rs.121.29 crore in the previous year. The tangible net worth stood at Rs.48.04 crore as on 31 March, 2017 as against Rs. 27.20 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
02-Nov-2016	Cash Credit	Long Term	INR 45	SMERA BB / Stable (Reaffirmed)
07-Aug-2015	Cash Credit	Long Term	INR 45	SMERA BB / Stable (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	54.00 (Enhanced From Rs.45 Cr)	SMERA BB+ / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	SMERA BB+/Stable (Assigned)
Term Loan I	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB+/Stable (Assigned)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB+/Stable (Assigned)
Term Loan III	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA BB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4+ (Assigned)

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Vishal Choudhary Senior Analyst - Rating Operations Tel: 022-67141159 vishal.choudhary@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.